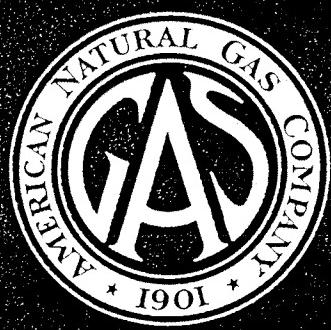


EXHIBIT 30

American Natural Gas Company



Annual Report 1953

WG 000066410

Annual Report
AMERICAN NATURAL GAS COMPANY
A NEW JERSEY CORPORATION
MICHIGAN CONSOLIDATED GAS COMPANY • MILWAUKEE GAS LIGHT COMPANY
MICHIGAN WISCONSIN PIPE LINE COMPANY



For the Year Ended December 31, 1953

This report is submitted for the general information of the stockholders of American Natural Gas Company, and not in connection with, or to induce, any sale or offer to sell or to buy any securities.

WG 000066411

AMERICAN NATURAL GAS COMPANY
A NEW JERSEY CORPORATION
165 BROADWAY, NEW YORK 6, NEW YORK

DIRECTORS

DUDLEY B. W. BROWN
WILLIAM CHAMBERLAIN
JOHN DERN
W. F. DOUTHIRT
CLIFTON G. DYER

HENRY FINK
STANHOPE FOSTER
C. A. JOHNSON
RALPH T. McELVENNY

DONALD R. RICHBURG
HUBERT R. SCHADDELEE
RICHARD SCHADDELEE
HENRY TUTTLE
WILLIAM G. WOOLFOLK

OFFICERS

WILLIAM G. WOOLFOLK	- - - - -	<i>Chairman of the Company</i>
RALPH T. McELVENNY	- - - - -	<i>President</i>
F. W. SHARP	- - - - -	<i>Vice President and Treasurer</i>
THOS. K. HUMPHREY	- - - - -	<i>Vice President and Secretary</i>
W. F. DOUTHIRT	- - - - -	<i>Vice President</i>
JOHN DERN	- - - - -	<i>General Counsel</i>

TRANSFER AGENTS AND REGISTRAR

Transfer Agents—

The National City Bank of New York, 55 Wall Street, New York 15, N. Y.
The Corporation Trust Company, 15 Exchange Place, Jersey City 2, N. J.

Registrar—

The Chase National Bank of the City of New York, 11 Broad Street,
New York 15, New York.

LISTED

Common stock—New York Stock Exchange.

WG 000066412

1953 Ann Rep

Letter from the Chairman of the Company

To THE STOCKHOLDERS:

The past year bids fair to being ranked as one of the most important in our Company's long history. This is not alone because of the substantial increase in earnings, gratifying as that is. It is because we have gone a long way toward solving our gas supply difficulties for years to come. In short we have:

Concluded long term contracts with major suppliers for purchasing approximately 3 trillion cubic feet of natural gas from Louisiana Gulf Coast fields, rich in proven and potential gas reserves, to be delivered over a twenty-year period;

Designed and surveyed the route for a 30-inch pipe line to deliver this gas to our markets at an initial rate of 300 million cubic feet per day;

Formulated definite plans for raising approximately \$130,000,000 to finance the estimated cost of this development;

Applied to the Federal Power Commission, through our new subsidiary, American Louisiana Pipe Line Company, for authority to build and operate this new line; and

More than doubled the potential underground storage capacity in Michigan to a total in excess of 100 billion cubic feet.

I wrote you about this in August last, to the effect that we are convinced the gas reserves are needed, the new pipe line will add to the strength of the System and that the additional available gas will readily find a market in the Company's distributing territories on a basis which should materially improve the per share earnings when the facilities are in full operation.

Moreover, we take great satisfaction in the knowledge that, with this new line in operation, by far the major portion of our gas supply and facilities will be owned or controlled by American Natural and our dependence upon outside purchases greatly lessened. Our experience has taught us that we cannot rely upon outside sources for the large additional gas supplies needed to meet the long term requirements of our expanding markets.

1953 Results

Consolidated earnings for 1953 were \$12,833,550 or \$3.48 per share of common stock, compared with \$8,603,825 or \$2.34 per share for the year before. Gross revenues were \$117,933,306, as against \$102,667,812 for 1952.

These 1953 earnings reflect increased rates put into effect by System companies. The rates of Michigan Wisconsin Pipe Line are subject to review and revision by the Federal Power Commission in rate proceedings still pending before that body and the rates of our distributing companies are subject to review by State regulatory bodies upon final determination of the wholesale cost of gas to those companies. The earnings of our distributing companies in 1953 were short of a fair return because of substantial additional investments in property and because heating sales were reduced by comparatively mild weather.

Taxes

Nobody loves the tax collector; down through the ages nobody ever has and doubtless nobody ever will. Still and all, judging from Washington reports, certain estimable citizens are striving to make the creature less obnoxious than heretofore. May success attend their efforts.

Dividends

On August 1, 1953, we increased our dividend from 45¢ to 50¢ a quarter or to \$2.00 per share annually.

Financing

During the year Michigan Wisconsin extended the maturity of its \$20,000,000 bank loan for another period of one year from July 1, 1953. Permanent financing of the loan has been deferred pending outcome of our rate case which at long last seems in its final stages.

Milwaukee Gas Light did no permanent financing, relying upon bank credit to finance construction requirements. It may borrow up to \$9,000,000 on notes maturing August 1, 1954, and at year end had borrowed \$5,400,000 of that amount. Prior to maturity the notes will either be extended or retired through permanent financing.

During the year Michigan Consolidated sold \$3,010,000 of common stock to American Natural and borrowed \$20,000,000 from a group of banks. The loan was recently paid off from the proceeds of the sale of a like amount of 3½% first mortgage bonds.

Approval by the Federal Power Commission of the American Louisiana project and related applications of Michigan Consolidated and Michigan Wisconsin will result in a large System expansion program and will necessitate substantial financing during the next three years.

It is impossible to give an exact timetable of the program but our best estimate is that the steps required to build the line and to extend the distribution facilities in the service territories will probably require about three years and the over-all expan-

sion program will involve expenditures in the neighborhood of \$200,000,000. American Natural Gas Company expects to raise these funds through the issuance of senior securities of the various operating units, through retained earnings and through selling additional shares of its common stock. The Company contemplates handling the financing as funds are needed and, barring unforeseen circumstances, to accomplish such financing without dilution of per share earning power. The acquisition of additional storage facilities and the unsatisfied backlog of demand for gas fortunately provide flexibility in carrying out these objectives.

Personnel

Henry Fink, having passed the retirement age, resigned as President of American Natural Gas Company on September 30, 1953, and was succeeded by former Executive Vice President Ralph T. McElvenny, who is 47 years old and has been an officer of the System for the past eight and one-half years. Mr. Fink will continue to serve as President of the Service Company.

Again your Directors wish me to direct your attention to the work of the organization. Recently I read where an operating head referred to his organization as "the best non-ledger asset the shareholders have." Our shareholders have such an asset but its value cannot be stated in balance sheet terms.


Chairman.

March 3, 1954.

AMERICAN NATURAL GAS COMPANY SYSTEM

American Natural Gas Company is one of the oldest utility holding companies in the country, being now in its 53rd year. It has paid dividends on its common stock each year for more than half a century. Although the scope and area of operations have changed over the years, the principal operations have been, as now, in Michigan and Wisconsin.

The Company owns an integrated natural gas system with two large gas distributing companies, a pipe line company, and extensive underground gas storage fields located between its two principal market areas.

The two distributing companies are Michigan Consolidated Gas Company, serving the industrial centers of Detroit and Grand Rapids and other important areas in Michigan, including Muskegon and Ann Arbor; and Milwaukee Gas Light Company, serving Milwaukee, Wisconsin, and environs.

The pipe line subsidiary, Michigan Wisconsin Pipe Line Company, operates a large diameter high pressure pipe line extending from the Texas Panhandle to Michigan and Wisconsin. It has delivery capacity of about 300 million cubic feet daily. Approximately 80% of its sales are to its two affiliated distributing companies. This represents all of the natural gas supply of Milwaukee Gas Light and the major portion of the supply of Michigan Consolidated.

Through use of its large underground storage fields the System has peak delivery capacity of about 3 times the daily capacity of the Michigan Wisconsin pipe line.

A newly formed subsidiary, American Louisiana Pipe Line Company, has pending before the Federal Power Commission an application to build a large new pipe line from the southern Louisiana area to make available to Michigan Consolidated and Michigan Wisconsin an aggregate of approximately 300 million cubic feet of natural gas daily. Most of the 3 trillion cubic feet of natural gas reserves contracted for by American Louisiana will be purchased from major oil companies for delivery in southern Louisiana and the balance will be purchased from Texas Gas Transmission Corporation at an interconnection to be constructed near Slaughters, Kentucky.

Although Panhandle Eastern Pipe Line Company denied any portion of its increased capacity to Michigan Consolidated and has made strenuous and repeated efforts to partially abandon service to Michigan Consolidated at Detroit and terminate service at Ann Arbor, Panhandle has intervened before the Federal Power Commission in opposition to the application of American Louisiana Pipe Line Company.

SUBSIDIARY COMPANIES

Michigan Consolidated Gas Company

Net income was \$6,625,274, a substantial recovery from the reduced earnings of \$5,341,886 in 1952. Earnings in 1952 were depressed because of large increases in

operating costs, principally in the price of natural gas from the pipe line suppliers, which were not compensated for promptly in rate increases. However, rate increases obtained in November 1952 and January 1953 resulted in the improved showing for 1953. The rates charged by both pipe line suppliers are involved in proceedings before the Federal Power Commission and are effective under bond. Upon determination of these proceedings the orders of the Michigan Public Service Commission granting increased rates to Michigan Consolidated provide that the Michigan proceedings shall be reopened to consider any refund which may be appropriate with respect to moneys received as a refund from the pipe line companies for gas purchased by Michigan Consolidated after the effective dates of the new rates authorized by the Michigan Commission. Subsequent to these rate increases, there has been an increase in labor costs, and in depreciation and property taxes related largely to an increase in facilities which will permit expanded sales when additional gas supplies become available.

Revenue and volume of sales were the highest in the history of the company. Revenue of \$84,033,000 was \$8,961,000 more than in 1952, largely because of rate increases. Sales exceeded 103 billion cubic feet, approximately 1.7 billion cubic feet higher than in 1952. Although heating sales were lower because of milder weather, there was a substantial increase in industrial sales because of the high rate at which industry operated in the service area of the company.

The large new supply of gas which became available from Michigan Wisconsin Pipe Line Company in 1949 permitted a doubling of Michigan Consolidated's sales volume. However, even this new supply was inadequate to meet rapidly increasing demands and restrictions on the acceptance of additional space heating customers became effective in 1950. In December 1953, pursuant to order of the Michigan Public Service Commission and following modification of the tariff of Michigan Wisconsin Pipe Line Company to permit a limited increase in space heating, Michigan Consolidated began the acceptance of 9,600 additional space heating customers. The company was also directed by the Michigan Commission to cut off its large volume interruptible sales and store the gas for firm use. One of the customers affected by this order is litigating the matter in the Michigan courts. The company has on file over 85,000 requests for space heating, accumulated without solicitation.

At year end the company had 765,926 customers, a gain of 15,549. Approximately 38% of residential customers use gas for heating. The largest amount of gas sent out in one day in 1953 was 579 million cubic feet and occurred on December 23. The highest sendout in 1952 was 570 million cubic feet.

The company spent approximately \$22,000,000 for construction in 1953 compared with \$14,100,000 in 1952. The expenditures were primarily for mains, services, meters and development of new underground storage facilities with an estimated working

storage capacity of over 50 billion cubic feet of gas when fully developed. The actual expenditure during the year for the storage program was considerably above the amount earlier estimated because of the desirability of advancing the program in the light of the progress made in obtaining additional gas supplies for the System. Expenditures for plant in 1954 are estimated to be a little lower than last year. At year end, investment in utility plant aggregated approximately \$222,500,000, about 65% of which has been built since 1945. With higher construction costs, there has been a steady increase in the investment required per customer.

Michigan Wisconsin Pipe Line Company

Net income for the year was \$5,860,639 compared with \$3,135,371 in 1952. These earnings reflect rates in effect under bond, subject to refund of any portion thereof found to be not justified upon final determination of rate proceedings pending before the Federal Power Commission. The last of two rate increases involved in these proceedings became effective December 12, 1952, and increased the rate from 31.5¢ to 35¢ per Mcf, resulting in additional net income of \$1,621,004 to the company in 1953.

The year 1953 was the first full year in which the sixteen utility companies served by Michigan Wisconsin had connected approximately the maximum number of space heating consumers authorized under the company's tariff. Although the weather in 1953 was comparatively mild, Michigan Wisconsin sold about 14% more gas than in 1952. About 8 billion cubic feet of gas which was not required for space heating was sold to Michigan Consolidated for use in repressuring the large new Six Lakes underground storage field which it owns and is developing. The greatest volume of gas delivered in any one day in 1953 was 766 million cubic feet on December 23, of which 59% was taken from underground storage. The largest similar delivery in 1952 was approximately 650 million cubic feet.

Since March 1952 the capacity of Michigan Wisconsin has been allocated among its sixteen utility customers under a plan authorized by the Federal Power Commission and made necessary by the shortage of gas in relation to the great demand. In December 1953 the allocation plan was modified to permit each utility customer to increase its space heating consumers by 3.26%, an aggregate of 13,431 additional space heating customers, of which Michigan Consolidated and Milwaukee Gas Light are entitled to 11,510.

Construction expenditures in 1953 aggregated about \$1,300,000 compared with approximately \$2,700,000 in 1952. It is expected that plant additions will be at a relatively low level in 1954. At year end the total investment in utility plant was approximately \$116,000,000.

The state of Texas imposed a so-called "gathering" tax in September 1951, which the company, with another pipe line company, has been litigating, meanwhile paying the tax under protest. The amount paid by the company was \$505,000 in 1953 and \$507,000 in 1952. The Supreme Court of the United States recently held this tax invalid.

Milwaukee Gas Light Company

Milwaukee Gas Light had net income of \$1,687,931 for 1953 compared with \$1,549,531 in 1952, in each case exclusive of the operations of its subsidiary, Milwaukee Solvay Coke Company. The benefit of a rate increase granted in February 1953 was not fully reflected in the results for the year as it did not become effective in time to include the best heating months of the year. There was a substantial increase in maintenance expenses required by the continuation of the long-range program of improving the distribution facilities, made necessary by the introduction of natural gas. This increased expense partially offset the higher revenue from the rate adjustment.

Revenue increased \$2,120,000 or 10% because of the new rates and an increase of 7% in sales volume. Substantially all the increase in sales volume was to industry on an interruptible basis, which class of business bears the lowest rate.

At the end of the year Milwaukee Gas Light Company had 231,668 customers, a gain of 2,635. Approximately 25% of the residential customers use gas for heating. The restriction on the acceptance of additional space heating customers which became fully effective at the end of 1952 was modified in December 1953 to permit the connection of 1,910 additional space heating customers. The peak day sendout of natural gas in 1953 occurred on December 17 with 118 million cubic feet. The highest day in the previous year was 105 million cubic feet.

Expenditures for construction aggregated approximately \$5,700,000, primarily for distribution facilities. This compares with \$6,200,000 spent in the previous year. The contemplated construction program for 1954 is approximately the same as in the past year. As of December 31, 1953, total investment in utility plant was \$62,000,000.

Milwaukee Solvay Coke Company

This company, which is a wholly owned subsidiary of Milwaukee Gas Light Company, produces and sells coke, coke oven gas and related coal chemicals.

Net income for the year was \$555,112 compared with \$466,894 in 1952. The demand for coke dropped off late in the year and the resultant decrease in sales has continued into 1954. While a relatively cyclical business, Milwaukee Solvay Coke Company over a long period of years has had a very substantial earning record.

In 1952 the Securities and Exchange Commission reopened proceedings to determine whether the Coke Company was retainable in the American Natural Gas system under the integration standards of Section 11 of the Holding Company Act. The Commission recently announced a decision permitting retention, reserving jurisdiction to reconsider the matter in event of changed conditions.

ANNUAL AND SPECIAL MEETING OF STOCKHOLDERS

The fifty-third annual meeting of stockholders of American Natural Gas Company will be held at the office of the Company, Room 803, 15 Exchange Place, Jersey City,

New Jersey, at 11:00 o'clock in the forenoon (Eastern Daylight Saving Time) on Wednesday, April 28, 1954. This meeting will also constitute a special meeting of stockholders called to consider and act on a proposal recommended by the board of directors to increase the number of authorized shares of common stock of the Company from 4,000,000 to 5,000,000 shares. The recommended increase in the authorized common stock is to enable the Company to sell additional shares when necessary to provide the common stock equity required in connection with the expansion program of the System.

Holders of record of common and preferred stock at the close of business on March 17, 1954, will be entitled to vote at the meeting. A proxy statement and form of proxy for the meeting will be mailed to stockholders about March 22, 1954.

FINANCIAL STATEMENTS

Financial statements of the Company, with the certificate of Arthur Andersen & Co., independent public accountants, follow.

ARTHUR ANDERSEN & Co.

67 BROAD STREET

NEW YORK 4

*To the Board of Directors,
American Natural Gas Company:*

We have examined the statement of financial position of AMERICAN NATURAL GAS COMPANY, a New Jersey corporation, as of December 31, 1953, the consolidated statement of financial position of the Company and its subsidiaries as of the same date, and the related statements of income and earnings retained in the business for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously had made similar examinations for the year ended December 31, 1952.

In our opinion, subject to the effect of any refunds resulting from the final determination of the wholesale cost of natural gas referred to in the notes to the financial statements, the accompanying statements of financial position and related statements of income and earnings retained in the business present fairly the financial position of the Company and its subsidiaries at December 31, 1953, and the results of their operations for the year then ended, and were prepared in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ARTHUR ANDERSEN & Co.

New York, N. Y.,
March 3, 1954.

AMERICAN NATURAL GAS
CONSOLIDATED STATEMENT

PROPERTY AND OTHER ASSETS

	December 31	
	1953	1952
UTILITY PLANT:		
Original cost	\$410,790,860	\$384,125,278
Cost in addition to original cost, being amortized.....	1,255,793	1,349,956
	<u>\$412,046,653</u>	<u>\$385,475,234</u>
Less—Reserves for depreciation.....	66,387,474	58,423,371
	<u>\$345,659,179</u>	<u>\$327,051,863</u>

CURRENT ASSETS:

Cash	\$ 10,947,493	\$ 11,134,430
United States Government securities.....	10,563,975	8,209,925
Accounts receivable, less reserves of \$404,706 and \$368,094, respectively	15,254,393	14,339,605
Materials and supplies.....	10,918,251	11,760,873
Gas in underground storage.....	3,871,549	3,333,599
Prepayments	910,359	896,540
	<u>\$ 52,466,020</u>	<u>\$ 49,674,972</u>

DEFERRED CHARGES:

Natural gas conversion costs and related expenses, being amortized	\$ 3,174,823	\$ 3,663,253
Debt discount, premiums and expense, being amortized—		
Outstanding issues	429,133	472,543
Refunded issues	583,606	731,528
Capital stock expense.....	509,953	500,741
Regulatory commission expense, being amortized.....	268,563	279,311
Other	889,133	793,201
	<u>\$ 5,855,211</u>	<u>\$ 6,440,577</u>
	<u>\$403,980,410</u>	<u>\$383,167,412</u>

The notes to the financial statements are an integral part of this statement.

MPANY AND SUBSIDIARIES

FINANCIAL POSITION

STOCKHOLDERS' EQUITY AND LIABILITIES

	December 31	
	1953	1952
STOCKHOLDERS' EQUITY:		
Common stock, without par value—authorized 4,000,000 shares—outstanding 3,684,276 shares.....	\$ 92,932,142	\$ 92,932,142
Other paid-in capital.....	1,902,543	1,902,543
Earnings retained in the business, since January 2, 1948.....	20,813,504	15,164,018
	<u>\$115,648,189</u>	<u>\$109,998,703</u>
Noncallable preferred stock, 6% cumulative—par value \$25 per share — authorized and issued 30,554 shares, less 253 shares reacquired	757,525	758,225
Total stockholders' equity.....	<u>\$116,405,714</u>	<u>\$110,756,928</u>
LONG-TERM DEBT	<u>\$202,804,000</u>	<u>\$209,458,000</u>
NOTES PAYABLE TO BANKS.....	<u>\$ 45,400,000</u>	<u>\$ 28,100,000</u>
OTHER LIABILITIES:		
Current maturities and sinking fund requirements of long-term debt	\$ 5,365,000	\$ 5,102,000
Accounts payable	4,398,965	4,891,410
Dividends declared	1,853,432	1,669,234
Customers' deposits	679,832	626,252
General taxes	1,806,158	1,717,256
Federal and State income taxes.....	16,745,366	11,592,327
Interest	2,004,356	1,972,157
Other	3,049,124	3,797,881
	<u>\$ 35,902,233</u>	<u>\$ 31,368,517</u>
DEFERRED CREDITS:		
Debt premiums, less expenses, being amortized.....	\$ 899,756	\$ 970,529
Other	200,331	98,646
	<u>\$ 1,100,087</u>	<u>\$ 1,069,175</u>
RESERVES	<u>\$ 2,368,376</u>	<u>\$ 2,414,792</u>
	<u><u>\$403,980,410</u></u>	<u><u>\$383,167,412</u></u>

The notes to the financial statements are an integral part of this statement.

AMERICAN NATURAL GAS COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	Year Ended December 31	
	1953	1952
OPERATING REVENUES	\$117,933,306	\$102,667,812
OPERATING EXPENSES:		
Natural gas purchased.....	\$ 24,194,349	\$ 21,492,634
Operation	32,839,067	30,948,714
Maintenance	8,039,643	6,907,659
Depreciation and amortization.....	9,957,680	9,444,828
Amortization of natural gas conversion costs and related expenses...	488,431	488,431
Taxes—		
State, local and miscellaneous Federal.....	8,419,469	7,829,682
Federal and State income.....	14,088,375	9,849,635
Total operating expenses.....	\$ 98,027,014	\$ 86,961,583
Operating income	\$ 19,906,292	\$ 15,706,229
OTHER INCOME (net):		
Coke and by-products.....	555,112	466,894
Other.....	988,925	745,677
Gross income	\$ 21,450,329	\$ 16,918,800
INCOME DEDUCTIONS:		
Interest on long-term debt.....	\$ 7,306,852	\$ 7,480,855
Amortization of debt discount, premium and expense.....	120,559	122,315
General interest	1,084,761	629,715
Interest charged to construction—credit*	103,351*	118,153*
Other.....	162,475	154,496
Total income deductions.....	\$ 8,571,296	\$ 8,269,228
CONSOLIDATED NET INCOME	\$ 12,879,033	\$ 8,649,572
Preferred dividends of American Natural Gas Company.....	45,483	45,747
CONSOLIDATED NET INCOME, after preferred dividends	\$ 12,833,550	\$ 8,603,825

The notes to the financial statements are an integral part of this statement.

AMERICAN NATURAL GAS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EARNINGS RETAINED IN THE BUSINESS
(Since January 2, 1948)

Year Ended December 31, 1953

BALANCE—DECEMBER 31, 1952.....	\$15,164,018
CONSOLIDATED NET INCOME.....	12,879,033
	<hr/>
DIVIDENDS:	
Common stock	\$7,184,064
Preferred stock	45,483
	<hr/>
BALANCE—DECEMBER 31, 1953.....	7,229,547
	<hr/>
	\$20,813,504
	<hr/>

The notes to the financial statements are an integral part of this statement.

AMERICAN NATURAL GAS COMPANY

STATEMENT OF FINANCIAL POSITION

INVESTMENTS AND OTHER ASSETS

	December 31	
	1953	1952
INVESTMENTS:		
Common stocks of subsidiaries, at cost.....	\$114,496,686	\$111,345,247
Less—Reserve to state investments at underlying book value at January 2, 1948.....	4,472,762	4,472,762
	<u>\$110,023,924</u>	<u>\$106,872,485</u>
Other.....	21,411	26,689
	<u>\$110,045,335</u>	<u>\$106,899,174</u>
CURRENT ASSETS:		
Cash	\$ 1,748,656	\$ 1,926,544
United States Government securities.....	2,394,140	5,523,110
Dividends receivable and other.....	2,262,530	953,281
	<u>\$ 6,405,326</u>	<u>\$ 8,402,935</u>
DEFERRED CHARGES:		
Capital stock expense.....	\$ 444,201	\$ 444,201
Collateral trust note expense.....	10,621	13,584
	<u>\$ 454,822</u>	<u>\$ 457,785</u>
	<u><u>\$116,905,483</u></u>	<u><u>\$115,759,894</u></u>

STOCKHOLDERS' EQUITY AND LIABILITIES

STOCKHOLDERS' EQUITY:		
Common stock, without par value—authorized 4,000,000 shares— outstanding 3,684,276 shares.....	\$ 92,932,142	\$ 92,932,142
Other paid-in capital.....	1,902,543	1,902,543
Earnings retained in the business, since January 2, 1948.....	6,106,757	4,707,000
	<u>\$100,941,442</u>	<u>\$ 99,541,685</u>
Noncallable preferred stock, 6% cumulative—par value \$25 per share—authorized and issued 30,554 shares, less 253 shares reacquired	757,525	758,225
Total stockholders' equity.....	<u>\$101,698,967</u>	<u>\$100,299,910</u>
COLLATERAL TRUST NOTES, 3%–4%, due serially to 1958.....	<u>11,500,000</u>	<u>12,500,000</u>
Total capitalization	<u>\$113,198,967</u>	<u>\$112,799,910</u>
CURRENT LIABILITIES:		
Current maturities of collateral trust notes.....	\$ 1,000,000	\$ 500,000
Dividends declared	1,853,432	1,669,234
Federal income tax.....	745,859	631,334
Other.....	107,225	159,416
	<u>\$ 3,706,516</u>	<u>\$ 2,959,984</u>
	<u><u>\$116,905,483</u></u>	<u><u>\$115,759,894</u></u>

The notes to the financial statements are an integral part of this statement.

AMERICAN NATURAL GAS COMPANY

STATEMENT OF INCOME

	Year Ended December 31	
	1953	1952
INCOME:		
Dividends—		
Michigan Consolidated Gas Company	\$ 6,000,000	\$5,500,000
Michigan Wisconsin Pipe Line Company	2,850,000	2,300,000
Milwaukee Gas Light Company	1,612,750	1,612,159
Other	81,333	74,663
Total income	<u>\$10,544,083</u>	<u>\$9,486,822</u>
EXPENSES:		
General and administrative	\$ 710,678	\$ 765,974
Taxes—		
State, local and miscellaneous Federal	61,802	57,951
Federal income	655,000	575,000
Interest and other deductions	487,299	502,864
Total expenses	<u>\$ 1,914,779</u>	<u>\$1,901,789</u>
NET INCOME	<u>\$ 8,629,304</u>	<u>\$7,585,033</u>

STATEMENT OF EARNINGS RETAINED IN THE BUSINESS

(Since January 2, 1948)

Year Ended December 31, 1953

BALANCE—DECEMBER 31, 1952	\$ 4,707,000
NET INCOME	8,629,304
	<u>\$13,336,304</u>
DIVIDENDS:	
Common stock	\$7,184,064
Preferred stock	45,483
BALANCE—DECEMBER 31, 1953	<u>\$ 6,106,757</u>

The notes to the financial statements are an integral part of this statement.

AMERICAN NATURAL GAS COMPANY AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

RATE MATTERS

Michigan Wisconsin Pipe Line Company, which makes approximately 80% of its sales to System companies, increased its rate from 28¢ to 31.5¢ per Mcf, effective October 1, 1951, and effective December 12, 1952, further increased its rate to 35¢ per Mcf. These rates are in effect under bonds conditioned to require the refund of any portion of such increase which may be determined by the Federal Power Commission, subject to judicial review, to be not justified. Rate proceedings are pending before the Commission. The accompanying consolidated statement of income includes revenues resulting from the rate increases and certain expenses, including cost of gas purchased, which are contingent upon such revenues. The effect of the new rates on consolidated net income is subject to the final determination of rates for Michigan Consolidated Gas Company and Milwaukee Gas Light Company.

Michigan Consolidated was authorized by the Michigan Public Service Commission to place in effect on November 21, 1952, and January 13, 1953, new rates designed to produce additional annual revenues of approximately \$7,200,000 and \$1,900,000, respectively, to compensate principally for increases in the cost of natural gas (approximating \$6,500,000 and \$1,900,000, respectively) and other expenses. In authorizing the increases in revenue, the Michigan Commission provided that upon the final determination of Michigan Consolidated's wholesale gas costs the proceedings should be reopened for determination of any refunds due to customers of Michigan Consolidated for monies collected on and after the effective dates of the rate increases. With respect to the increased wholesale gas costs for 1952, prior to the rate increases, which had the effect of reducing Michigan Consolidated's net income for that year by approximately \$2,500,000, any refunds from the suppliers will be retained by that company.

Milwaukee Gas Light was authorized by the Public Service Commission of Wisconsin on February 16, 1953, to place in effect interim rates designed to produce additional revenue of approximately \$2,000,000 annually. The revenues collected under the interim rates are subject to such refunds, if any, as may be required upon the final determination of rates by the Commission.

GAS SUPPLY

American Louisiana Pipe Line Company, a wholly owned subsidiary, was incorporated in 1953, and on November 10, 1953, filed with the Federal Power Commission an application for a Certificate of Public Convenience and Necessity to authorize American Louisiana to construct and operate a pipe line to provide additional natural gas to the markets served by the American Natural Gas system. The estimated cost of construction of this pipe line system is approximately \$130,000,000, and it will provide an estimated 109.5 billion cubic feet of natural gas annually. The application is pending before the Federal Power Commission.

LITIGATION

On December 30, 1953, the District Court entered a judgment against Michigan Consolidated for \$601,354 under a claim made by a natural gas supplier with respect to gas purchases in 1948, for which full provision had been made in the accounts. Additional claims by such supplier amounting to approximately \$1,275,000, for which no provision has been made in the accounts, were denied by the Court. Each party is appealing from this judgment. A counterclaim of approximately \$1,400,000 was filed by Michigan Consolidated in the same litigation. In June 1949 the District Court entered an adverse judgment on the counterclaim and that matter is on appeal by Michigan Consolidated.

The United States Supreme Court on February 8, 1954, held that the Gas Gathering Tax of the State of Texas was invalid. The State of Texas has petitioned for a rehearing. Michigan Wisconsin has been paying this tax under protest since late in 1951. Charges to income for this tax amounted to \$505,000 and \$507,000 for the years 1953 and 1952, respectively. No effect has been given to this decision of the Supreme Court in the accompanying statements of income.

AMERICAN NATURAL GAS COMPANY AND SUBSIDIARIES

NOTES TO THE FINANCIAL STATEMENTS

LONG-TERM DEBT AND NOTES PAYABLE TO BANKS

	December 31	
	1953	1952
Long-term debt (not including current maturities and sinking fund requirements) :		
American Natural Gas Company—		
Collateral trust notes, 3%- 4%, due serially to 1958.....	\$ 11,500,000	\$ 12,500,000
Michigan Consolidated Gas Company—		
First mortgage bonds—		
3½% series due 1969.....	33,820,000	34,485,000
3¾% series due 1969.....	6,336,000	6,458,000
2⅓% series due 1969.....	5,340,000	5,445,000
3% series due 1975.....	19,650,000	20,000,000
3½% series due 1976.....	15,000,000	15,000,000
3⅓% sinking fund debentures due 1967.....	22,500,000	23,000,000
Michigan Wisconsin Pipe Line Company—		
First mortgage pipe line bonds, 3½% series due 1968.....	55,890,000	58,910,000
Milwaukee Gas Light Company—		
First mortgage bonds, 3⅓% series due 1975.....	26,528,000	27,000,000
3⅓% sinking fund debentures due 1970.....	5,640,000	5,760,000
Milwaukee Solvay Coke Company—		
Notes payable to banks, 3%-3¼%, due serially to 1956.....	600,000	900,000
	<u>\$202,804,000</u>	<u>\$209,458,000</u>
Notes payable to banks:		
Michigan Consolidated Gas Company—		
3¼%, due July 30, 1954.....	\$ 20,000,000	\$ —
3%, due May-August 1953.....	—	7,100,000
Michigan Wisconsin Pipe Line Company—		
3¼%, due July 1, 1954.....	20,000,000	—
3%, due July 1, 1953.....	—	20,000,000
Milwaukee Gas Light Company—		
3¼%, due August 1, 1954.....	5,400,000	—
3%, due September 1, 1953.....	—	1,000,000
	<u>\$ 45,400,000</u>	<u>\$ 28,100,000</u>

As security for its collateral trust notes, American Natural Gas Company has pledged all its investments in the common stocks of Michigan Consolidated, Michigan Wisconsin and Milwaukee Gas Light and has covenanted to pledge all securities issued by such subsidiaries thereafter acquired by the Company.

On February 3, 1954, Michigan Consolidated issued and sold \$20,000,000 principal amount of first mortgage bonds, 3¾% series due 1979, and used the proceeds for the payment of the \$20,000,000 notes payable to banks.